



LIVE WORK GROW

Regional Forums, Round Two

Missouri Strategic Initiative for Economic Growth

January 10-14, 2011

MARKET ST

MARKETSTREETSERVICES.COM

© MARKET STREET SERVICES, INC.



MARKETSTREETSERVICES.COM

Target Sector Analysis

MARKET ST

Target Sector Analysis

MARKETSTREETSERVICES.COM

- *Market Street* was tasked with developing a research and data-intensive review of competitive advantages, challenges, and opportunities in Missouri.
- Our approach:
 - Holistic analysis – more than just employment dynamics (NAICS codes).
 - People, Prosperity, Place
- End result:
 - A well-informed assessment of the State's capacity to effectively target clusters of economic activity.

MARKET **ST**

Overview: Targeting and Cluster Development

MARKETSTREETSERVICES.COM

- Clusters are dynamic networks of firms, talent developers, governments, organizations/institutions.
 - To best facilitate growth, State must leverage, coordinate, inform, direct, support and challenge the network's components.
- Cluster development must be inclusive of all three ED strategies: existing business, small business, external marketing/recruitment.
- Targets are developed by identifying missing linkages, building networks, and establishing support infrastructure.
- Building a critical mass in a cluster requires both competition and collaboration between firms.

MARKET **ST**

Overview: Target Sector Selection

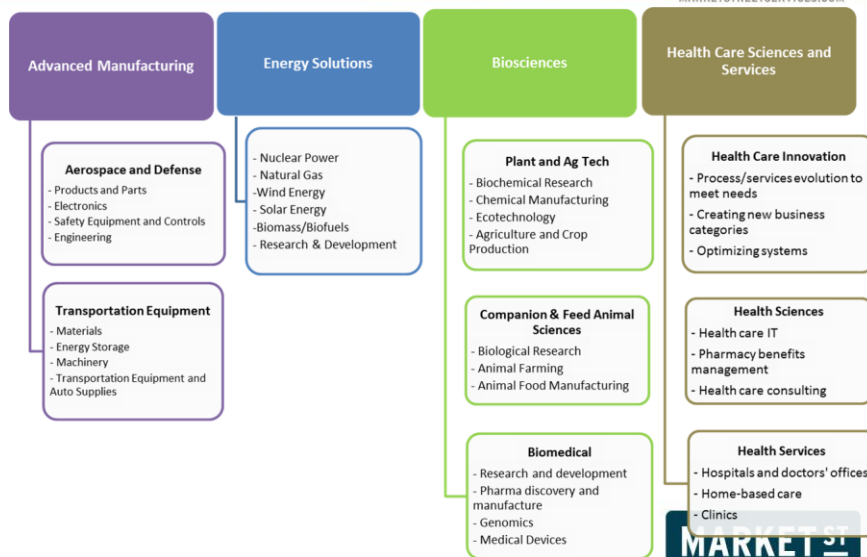
MARKETSTREETSERVICES.COM

- Took into account current Missouri targets.
 - Agribusiness
 - Automotive
 - Defense/Homeland Security
 - Energy
 - Finance
 - Information Technology
 - Life Sciences
 - Transportation/Logistics
- *Feedback from regional forums was that current targets should be streamlined and better focused – recommendations for new/revised targets were made.*
- Assessed existing and projected employment concentrations.
- Factored occupational, training, research and infrastructure capacity.
- Identified target sectors as well as component “niches” and “cross-target catalysts” – Steering Committee approved them on 11/30/10

MARKETST

Approved Missouri target sectors (1-4)

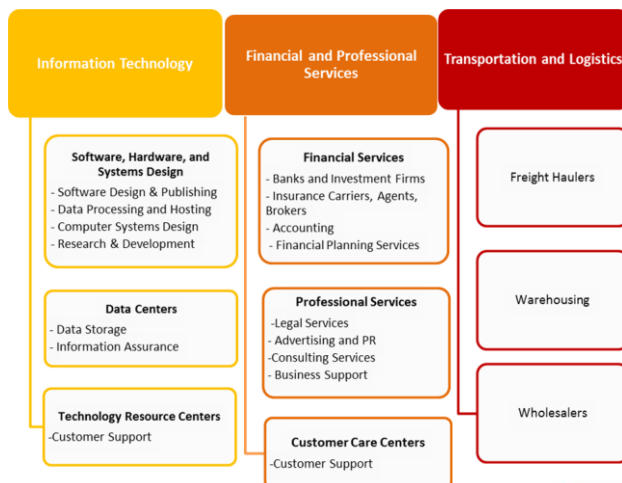
MARKETSTREETSERVICES.COM



MARKETST

Approved Missouri target sectors (5-7)

MARKETSTREETSERVICES.COM



MARKET ST

MARKETSTREETSERVICES.COM

Advanced Manufacturing

Aerospace and Defense

- Products and Parts
- Electronics
- Safety Equipment and Controls
- Engineering

Transportation Equipment

- Materials
- Energy Storage
- Machinery
- Transportation Equipment and Auto Supplies

- Employs thousands of Missourians
 - **Aerospace/Defense** and **Transportation Equipment** are the highest-value niches and leverage multiple suppliers from other manufacturing sub-sectors
 - Efforts to retain/expand existing manufacturers will be key to growth in the sub-sectors not identified as highest value
- Strong employment concentrations (LQs) for many sub-sectors
- Ford, Chrysler, Boeing, Honeywell and others
- Strong research and training capacities
- Opportunities to retrain workers in declining sub-sectors for jobs in growing industries

MARKET ST

Energy Solutions

- Nuclear Power
- Natural Gas
- Wind Energy
- Solar Energy
- Biomass/Biofuels
- Research & Development

- Highest-value sub-components were selected
 - Key strategic focus area of most MO regions
 - Can leverage manufacturing skills-base, bio/ag R&D
- Federal priority (usage mandates, millions in research and implementation grants)
- Growing state presence in wind energy – now ranked #17 after zero capacity in 2000
- Statewide efforts
 - Center for Sustainable Energy at MU
 - Missouri Energy Initiative
- Billions being invested in next-generation nuclear facilities

MARKET_{ST}

Biosciences

Plant and Ag Tech

- Biochemical Research
- Chemical Manufacturing
- Ecotechnology
- Agriculture and Crop Production

Companion & Feed Animal Sciences

- Biological Research
- Animal Farming
- Animal Food Manufacturing

Biomedical

- Research and development
- Pharma discovery and manufacture
- Genomics
- Medical Devices

- Reflects tremendous capacity in each niche
 - More clearly defines the sub-components of the state's existing Life Sciences target
- World-class R&D facilities and companies
 - Danforth Center, KC Animal Health Corridor, Monsanto, Purina, higher ed research centers, etc.
- Strong employment concentrations in each niche
- Can leverage agricultural production in rural counties
- Cross-target catalysts include:
 - Neutraceuticals, biofuels, bioinformatics, translational medicine, pharmacy benefits management, and others

MARKET_{ST}

MARKETSTREETSERVICES.COM

Health Care Sciences and Services

Health Care Innovation
 - Process/services evolution to meet needs
 - Creating new business categories
 - Optimizing systems

Health Sciences
 - Health care IT
 - Pharmacy benefits management
 - Health care consulting

Health Services
 - Hospitals and doctors' offices
 - Home-based care
 - Clinics

- Health Care Innovation** is the process of evolving business models to meet needs
 - I.E., moving from being a health services firm to an employee-wellness consultancy
 - Tremendous growth opportunities as health care reforms are implemented
- Health services** is the largest job sector in most Missouri regions
 - Projected to continue growth as Baby Boom generation ages
 - Opportunities to develop/recruit additional medical specialists
- Health Sciences** relate to the organization and delivery of services (the "business end" of medicine)
 - Better ways to organize hospitals, train nurses
 - Health care IT
 - Express Scripts – PBM is one of the fastest-growing MO firms
- Cross-target catalysts include:
 - Neutraceuticals, biofuels, bioinformatics, translational medicine, pharmacy benefits management, and others

MARKETSTREETSERVICES.COM

Information Technology

Software, Hardware, and Systems Design
 - Software Design & Publishing
 - Data Processing and Hosting
 - Computer Systems Design
 - Research & Development

Data Centers
 - Data Storage
 - Information Assurance

Technology Resource Centers
 - Customer Support

- Provides focus to Missouri's existing Information Technology target
 - Niches separated into design, facilities and support employment
- Presence in next generation broadband infrastructure
 - National LambdaRail and Internet2
- Data centers – MO already seen strong success
 - Leverages MO's ultra-competitive energy costs
- TRCs – not traditional call centers – high-wage, high-skill jobs
 - IBM in Columbia
- Cross-target catalysts
 - GPS, RFID and other logistics applications
 - Smart-grid design and components
 - Health IT – records digitization

MARKET ST

Financial and Professional Services

Financial Services

- Banks and Investment Firms
- Insurance Carriers, Agents, Brokers
- Accounting
- Financial Planning Services

Professional Services

- Legal Services
- Advertising and PR
- Consulting Services
- Business Support

Customer Care Centers

- Customer Support

- Refocuses definition of state's current Finance target
- Growth will come from multiple, holistic strategies
 - Recruitment of regional HQs and customer care centers
 - Expansion of existing services businesses
 - Launch and growth of services start-ups
- Creates good entry, mid- and C-level jobs to retain/attract talent
- Missouri has a significant finance and professional services sector presence
 - Only state with two Federal Reserve Banks
 - Tens of thousands employed across the state in companies like American Century Investments, Chase Card Services, H&R Block, Edward Jones, Shelter Insurance Co, HTNB, GMAC Insurance, and others

Transportation and Logistics

Freight Haulers

Warehousing

Wholesalers

- Carries over existing target but defines key niches
- Takes advantage of Missouri's strategic central location
- St. Louis and KC historical and current transportation hubs
 - KC SmartPort and St. Louis' ongoing efforts to become a top import/export partner with China
- Opportunities to expand multi-modal warehouse and distribution capacity to capture more of businesses' supply chains
- Cross-target catalysts
 - Software to manage supply chain; "biologistics" of sensitive bio-materials; RFID and GPS technologies; 3PL (third-party logistics) recruitment

- Tactics to develop Missouri's target sectors will be applied to multiple strategies.
- We will have the opportunity to discuss these tactics after the strategies are presented in a few minutes.
- It is likely that certain of these target sectors will overlap with clusters you are pursuing locally.
 - It will be important for us to know how the state can best support your regional development efforts in addition to what new programs or policies could be developed.

Strategies

Final Strategies

MARKETSTREETSERVICES.COM

- Missouri will attract, develop and retain a **workforce with the education and skills** to succeed in a 21st-Century economy
- Missouri will support its local economic-development organizations in the **retention and expansion of existing businesses and employers**
- Missouri will **optimize its tax, incentive and regulatory policies** to best support the growth of high-value target business sectors
- Missouri will **invest in technology and innovation** to attract, launch and sustain the growth companies of the future

MARKET ST

Final Strategies

MARKETSTREETSERVICES.COM

- Missouri will **aggressively market the state** to domestic and select international audiences
- Missouri will develop a **best-in-class foreign trade initiative**
- Missouri will develop a culture that encourages **small- and minority-business development** and entrepreneurship
- Missouri will provide the **infrastructure necessary for companies and communities** to be successful

MARKET ST

Potential strategy tactics

MARKETSTREETSERVICES.COM

- Market Street's potential tactics came from:
 - First round of Regional Forums
 - Nearly 50 White Papers submitted to DED
 - Research of state-level best practices from across the country
- In addition to tactics, Strategic Initiative will include phasing of tactical implementation, estimated cost, lead entities for each strategy and key partners, and metrics for tracking performance

MARKET ST

Additional Tactical Plan Submissions

MARKETSTREETSERVICES.COM

- Send prior to Jan. 17 to:
- Mike.Downing@ded.mo.gov

MARKET ST

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will attract, develop and retain a workforce with the education and skills to succeed in a 21st-Century economy.

MARKET ST

21st Century Workforce: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Tuition forgiveness incentive for state's students who attend college in MO – potentially also for remaining in state after graduation
 - Fully fund “Missouri Promise” with potential post-graduate residency clause
 - Models: Hope Scholarship, Georgia; Empire Promise, New York; Stay in MA, Massachusetts
2. Development of skills standards, assessment tools and training protocols for target sectors
 - Employer led, supported by educational institutions and state economic development department – aligns training to meet target based-skills needs
 - Models: Kentucky Manufacturing Skills Standards Consortium; Virginia Council on Advanced Technology Skills; Wisconsin Sector Strategies Initiative; Labor Market and Career Information Office, Texas
 - Health Professions Workforce Data Center (white paper recommendation)

MARKET ST

21st Century Workforce: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

3. Optimized workforce training incentive for expansion and relocation prospects – coordinated through community college network
 - Provide robust training, often on-site, as incentive for high-value prospects
 - Policy recommendation sent to Gov. Nixon on December 1, 2010
 - Models: QuickStart, Georgia; readySC, South Carolina; LED FastStart, Louisiana
4. Online database to support Missouri's parents and college-bound students
 - Development of a one-stop online resource to help students and parents explore career paths, identify college programs and find ways to pay for education
 - Model: Virginia Education Wizard

MARKET ST

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will support its local economic-development organizations in the retention and expansion of existing businesses and employers

MARKET ST

Retention/Expansion of Existing Employers: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Development of statewide cluster councils to help guide Missouri's target-sector development strategies
 - Members nominated by regional ED organizations - cross-section of public/private stakeholders – Governor appoints a chair for each council
 - Model: Texas Industry Clusters Initiative; Cluster Acceleration Partnerships, Utah; iHub initiative, California; Missouri National Security Technology Partnership (white paper recommendation)
2. Creation of a “business retention and expansion group” at MO DED
 - Conducts on-site visits with leadership of MO's top economic-driver firms to identify challenges/opportunities and provide state support where possible
 - Leverages software tools such as Synchronist and GIS
 - Model: Louisiana Business Expansion and Retention Group, winner of the 2009 Synchronist award for top ED program in U.S. and Canada

MARKET **ST**

Retention/Expansion of Existing Employers: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

3. Development/coordination of a team of business analysts to provide free assistance to qualifying Missouri companies
 - A means to take promising MO companies to the “next level” of growth
 - Analyst teams help companies identify new markets, research industry development and maximize use of social media networks
 - Model: GrowFL program, Florida

MARKET **ST**

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will optimize its tax, incentive and regulatory policies to best support the growth of high-value target business sectors

MARKET ST

Tax, Incentive, Regulatory Policy to Support Targets: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Support of the “guiding principles” from the Economic Development Tax Credits subcommittee of the Missouri Tax Credit Review Commission
 - Streamline and optimize toolkit to enhance state’s competitive position for existing and prospect companies
 - Policy recommendation sent to Gov. Nixon on December 1, 2010

MARKET ST

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will invest in technology and innovation to attract, launch and sustain the growth companies of the future

MARKET **ST**

Invest in Technology and Innovation: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Develop a Science and Technology/Innovation Fund in Missouri
 - Policy recommendation sent to Gov. Nixon on December 1, 2010
 - The fund would be utilized for: Tech transfer/commercialization; Capital formation; Infrastructure; Proof-of-concept seed fund; Workforce development and talent recruitment; Expansion of science and innovation industries; Opportunity fund to attract major federal or other outside investments
 - Models: 21st Century Investment Fund, Michigan; Texas Emerging Technology Fund; Ohio Third Frontier; Maine Technology Asset Fund; Technology Business Finance Program, Oklahoma; Colorado Fund I; and many others

MARKET **ST**

Invest in Technology and Innovation: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

- Develop a Science and Technology/Innovation Fund in Missouri (cont'd)
 - Potential to use Fund to **attract research faculty** to state universities (Models: Eminent Scholars Program, Georgia; Bucks for Brains, Kentucky)
 - Potential to use Fund for a **private equity fund** that invests state dollars in qualifying private equity/venture firms who then invest in MO companies
 - › State investment requires private match (Model: New Mexico Private Equity Program)
 - Potential to use Fund for a **SBIR/STTR support and matching program**
 - › Pre-Phase I program to prepare investors to seek federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) funding – state matching grants for SBIR/STTR funds
 - › Can be a program of the Missouri Technology Corporation
 - › Models: Wisconsin; Kentucky

MARKET ST

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will aggressively market the state to domestic and select international audiences

MARKET ST

Aggressively Market the State: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Fine tune existing program
 - Cut back on volume of marketing materials to allow for more effective updating of data and information
 - Emphasize web-based and public-relations marketing versus printed materials and ads
 - Emphasize direct sales over trade shows
 - Sheer volume of materials is more than most state EDOs
2. Attract federal research labs to Missouri
 - Support proposals to win federal grants to establish research centers and other facilities in Missouri
 - Model: Wisconsin and numerous other states; recommended in Missouri Strategic Initiative white paper

MARKET ST

Aggressively Market the State: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

3. Promotion of rural Missouri as a “near-shoring” location for technology and services companies
 - Market state’s rural areas as cost-competitive locations to companies with outsourced labor
 - Focus on existing Missouri companies considering bringing offshore jobs back to the U.S.
 - Model: Forward Wisconsin and a number of other states
4. Non-compete policies enacted to address regional and cross-state “pirating” in certain Missouri metro areas
 - Proposed policy component delivered to Governor on December 1, 2010

MARKET ST

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will develop a best-in-class foreign trade initiative

MARKET ST

Best-in-Class Foreign Trade Initiative: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Expansion of local foreign trade zones (FTZs)
 - Ranked highly at first round of regional forums
2. Launching of new Missouri overseas offices
 - Top countries mentioned: Vietnam, Brazil, India
 - Ranked highly at first round of regional forums
3. Development of regional distribution hubs for key foreign markets
 - Leverage MO's strategic location and transportation infrastructure
 - Model: Midwest China Hub Commission, St. Louis

MARKET ST

Best-in-Class Foreign Trade Initiative: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

4. Comprehensive early-stage international market assistance
 - ED organization helps select the top market for a MO company, then in-country consultant IDs prospective companies for meetings; MO company officials travel to the market for a three-day visit
 - Model: Enterprise Florida; Export 3.0, Virginia
5. Creation of not-for-profit export-assistance training corporation
 - State and privately funded entity with goal of expanding export opportunities by providing one- to two-year in-house training for small and medium-sized businesses with export ambitions
 - Model: Ohio Export Assistance Network

MARKET ST

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will develop a culture that encourages small- and minority-business development and entrepreneurship

MARKET ST

Small and Minority Business Development: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Numerous existing state programs – leverage and enhance
 - Small Business Loan Program; Urban Enterprise Loans; MoFAST; Small Business Technology & Development Centers; MO innovation centers
2. Program that officially designates communities as “entrepreneur friendly”
 - State ED department project managers work with local communities to help them better understand existing resources and facilitate strategic planning to create long-term small business development programs
 - Model: Entrepreneur Friendly Communities, Georgia

MARKET **ST**

Small and Minority Business Development: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

3. Creation of a “one-stop shop” for small business support within DED
 - Entrepreneurs can have their business plans evaluated by specialists, with approved entrepreneurs assigned a mentor to assist them through the company’s initial months of operation
 - Support with capital acquisition, permitting and other necessities
 - Corresponding toll-free number to provide assistance and referrals to interested small business people
 - Strategic Initiative white paper recommendation

MARKET **ST**

Strategy:

MARKETSTREETSERVICES.COM

- Missouri will provide the infrastructure necessary for companies and communities to be successful

MARKET ST

Infrastructure Necessary to be Successful: POTENTIAL TACTICS

MARKETSTREETSERVICES.COM

1. Existing efforts – leverage and enhance
 - MOBroadbandNow; Missouri Certified Sites Program
 - Supporting regional efforts to enhance capacity of airports, rail networks and port facilities
2. Development of a state fund with broad statutory powers to support high-impact infrastructure projects
 - Authority could issue revenue bonds, make loans and provide credit enhancements for a variety of projects with a strong economic development ROI
 - Model: California Infrastructure and Economic Development Bank (I-Bank)

MARKET ST

Next Steps

Next Steps

- Results from Regional Forums will be compiled and formalized into a list of preferred tactics
- Regional Forum invitees will be sent an online survey to weigh in on preferred tactics and provide final comments
- Complete Strategic Initiative draft will be developed for Steering Committee comment
- Feedback will inform a second draft before the report is finalized and delivered to the Governor on March 31



LIVE WORK GROW

Regional Forums, Round Two
Missouri Strategic Initiative for Economic Growth

MARKET ST

© MARKET STREET SERVICES, INC.

MARKETSTREETSERVICES.COM